STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

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| Illinois Commerce Commission<br>On Its Own Motion | ) | |
| | ) | 20-NOI-03 |
| Notice of Inquiry Regarding Transportation<br>Electrification and Other Beneficial Electrification<br>Service Safety and Reliability | ) | |

**REPLY COMMENTS OF THE PEOPLE OF THE STATE OF ILLINOIS**

Pursuant to 2 Ill. Admin. Code Part 1700, the People of the State of Illinois (the "People" or the "AG"), through Kwame Raoul, Attorney General of the State of Illinois, submit their Reply Comments in response to the Notice of Inquiry issued August 19, 2020, by the Illinois Commerce Commission (the "Commission" or the "ICC"), in the above-styled docket.

## I. Introduction

The People present these Reply Comments to emphasize that any rate design adopted by the Commission to encourage electrification of the transportation sector should be structured in such a way that does not result in higher electricity prices for consumers who do not own electric vehicles ("EVs"). As of November 15, 2020, there were only approximately 25,000 EVs in Illinois,[1] making up around 0.25% of all vehicle registrations.[2] The share of EVs on the road will likely increase in the short term as EVs represent nearly 1% of all new vehicle sales in Illinois.[3] Although there are few EVs on the road today, the number of registered EVs in Illinois is growing and their electricity demand has the potential to reshape Illinois' load curve and

[1] *Electric Vehicles in Illinois*, OFF. OF THE ILL. SEC'Y OF STATE, https://www.cyberdriveillinois.com/departments/vehicles/statistics/electric/electric111520.pdf (last visited Dec. 14, 2020).
[2] *All Active Registrations Based on Expiration Date Dec 2020 Forward*, OFF. OF THE ILL. SEC'Y OF STATE, https://www.cyberdriveillinois.com/departments/vehicles/statistics/activereg/activereg120420.pdf (last visited Dec. 14, 2020).
[3] *Autos Drive Illinois Forward,* AUTO ALL., https://autoalliance.org/in-your-state/IL/ (last visited Dec. 14, 2020)

increase prices for all ratepayers. The Commission and Illinois utilities' actions concerning EVs should be informed by the need to incentivize off-peak charging and avoid practices that will increase rates for non-EV users. Moreover, the Commission should recognize that the private market for charging stations is still developing, and not allow utilities to recover through rates any costs associated with the ownership and operation of charging stations.

## II. Evaluation of Initial Comments

### a. EVs Impact on Peak Demand

Many of the parties that submitted initial comments recommended that the Commission adopt a rate design that encourages EV owners to charge their vehicles off-peak to optimize grid utilization and to allow EV owners to take advantage of low off-peak energy prices. *See, e.g.*, Edison Electric Institute 3-4; Greenlots Initial Comments 2-3. These initial comments fail to emphasize that rates could dramatically increase for ratepayers if EVs are quickly adopted and utilities do not take preventative measures to incentivize off-peak charging. Moreover, none of the comments discuss how increased service costs would disproportionately affect low-income ratepayers.

EVs could raise electricity prices for all ratepayers by increasing peak demand. Demand for electricity in the United States is generally highest in the Summer and lowest in the Spring. Daily demand grows as people wake up in the morning and peaks in the afternoon and early evening before dipping later in the evening as people go to sleep. EVs may increase peak demand if residential and commercial owners charge their vehicles at the end of the work day, just as the grid is reaching peak demand. Increasing peak demand may lead utilities to build out distribution infrastructure so that they can reliably transport electricity to meet the increased demand, thereby increasing delivery rates paid by ratepayers. In Illinois, PJM and MISO

activate costlier forms of generation as demand reaches its peak, which in turn raises the supply rates paid by consumers. PJM and MISO also charge capacity fees to guarantee that generators will be able to provide electricity during peak demand that utilities pass on to customers.

The increased costs borne by all ratepayers to fund on-peak charging is effectively a subsidy for wealthy EV owners. The cheapest new EVs on the road have a suggested retail price of $30,000[4] and the high up-front costs of EVs have helped to create the current environment where EV owners are mostly male and are older, whiter, and wealthier than the general population.[5] In the event that electricity prices increase because of EV on-peak charging, wealthier and predominantly white EV owners will be able to defray the higher cost of electricity delivery through transportation fuel savings, while those that do not own EVs may pay higher electricity rates while still paying fuel costs for their gas-powered vehicles. Thus, it is critical that utilities avoid practices that will increase rates for non-EV users or that may increase peak demand.

Utilities have numerous tools that they can use to ensure that EV owners who live in single-family homes charge off-peak. The most obvious tool is time of use rates. These rates create a price incentive where it is clearly advantageous to charge EVs off-peak. The Commission should consider directing utilities to provide both supply and delivery time of use rates to increase the financial incentive of switching from standard rates (that do not disincentivize charging on-peak) to time of use rates. Currently, ComEd allows only for supply time of use rates through its Hourly Pricing Program,[6] whereas Ameren would provide both

[4] *How Much Does an Electric Car Cost*, ENEL X (Dec. 17, 2019), https://evcharging.enelx.com/news/blog/609-how-much-does-an-electric-car-cost.
[5] Z. ANDREW FARKAS ET AL., ENVIRONMENTAL ATTRIBUTES OF ELECTRIC VEHICLE OWNERSHIP AND COMMUTING BEHAVIOR IN MARYLAND: PUBLIC POLICY AND EQUITY CONSIDERATIONS 14-16 (2018).
[6] *Answers*, COMED, https://hourlypricing.comed.com/faqs/ (last visited Dec. 14, 2020).

supply and delivery time of use rates under its Power Smart Pricing program[7] and its proposed Rider Optional Electric Vehicle Charging Program.[8]

The People agree with the Alliance for Transportation Electrification that the Commission should encourage utilities to develop education and outreach materials that instruct EV owners to charge their vehicles off-peak; however, the People disagree that the best place for this information is on the utilities' EV web portals. *See* Alliance for Transportation Electrification at 8. Instead, utilities should develop a dialogue with EV dealers, who have direct contact with residential EV owners, and encourage them to educate consumers on time of use rates as a selling point for the fuel savings presented by EVs. Given the low number of EVs in Illinois, targeting EV buyers at the point of sale is more effective than placing information on a utility's web site. Dealers could also be enlisted to encourage EV owners to program their vehicle to charge only at off-peak. EVs generally can be programmed to limit charging during peak demand and encouraging this type of charging at the time of purchase will help to ensure that EVs are consistently being charged off-peak.

The Commission should recognize, as pointed out by the Alliance for Transportation Electrification, that it will be more difficult to incentivize charging station and EV owners who charge on commercial rates from charging on-peak. *See id.* at 4-5, 17. Charging stations cannot be expected to cease operations and stop providing service during peak hours and some commercial EV owners will need to charge their vehicles on-peak. For these groups, the Commission should consider using the time-variant capability of smart meters to create an inclining block rate. The inclining block rate would allow a certain amount of on-peak electricity at a low price and increase the price as on-peak energy usage passes certain thresholds

[7] *How it Works*, AMEREN ILL. CO., https://www.powersmartpricing.org/how-it-works/ (last visited Dec. 18, 2020).
[8] ICC Docket 20-0710, Ameren Ex. 1.0 at 6:119-126.

until the price becomes prohibitive. This structure allows charging stations and EV owners some on-peak charging, but also motivates them to shift energy usage to off-peak.

Another possible option that the Commission should consider for charging stations and commercial EV owners who cannot switch to off-peak demand is the utilization of a rate that is designed to cover all costs associated with the customer's usage. This structure would promote the traditional rate design principle that costs should always be allocated to the cost-causers. If charging stations and commercial EV owners cannot move their demand off-peak, then they will be charged for the stress they place on the grid and for the costs associated with the dispatch of more expensive generation.

**b. Utility Ownership of Charging Stations**

Both the Alliance for Transportation Electrification and the Natural Resources Defense Council stated in their initial comments that utilities should own and operate charging infrastructure to fill gaps in the current charging market. *See* Alliance for Transportation Electrification Initial Comments at 3-4; Natural Resources Defense Council Initial Comments at 10. The former requested that utilities install Level 2, DC, multi-family, and low-income charging, while the later stated that utilities could provide charging stations to EV owners in multi-family dwellings.

The Commission should not allow utilities to recoup the costs of these charging stations through rates. It is not at all clear that utility-owned charging stations would generate enough revenue to cover their costs even if EVs were quickly adopted. Today, the number of EVs registered in Illinois is tiny (0.25%). Further, EV owners do more than 80% of their charging at home and can utilize Level 1 or Level 2 chargers in this space.[9] And, as mentioned above, the

[9] *Charging at Home*, U.S. DEP'T OF ENERGY, https://www.energy.gov/eere/electricvehicles/charging-home (last visited Dec. 14, 2020).

high initial cost of EVs is a significant barrier that prevents low-income and multi-family households from acquiring EVs. If these individuals did acquire EVs, it is likely that they would choose to charge at home because commercial charging is typically much more expensive than home charging.[10]

The low EV penetration means that there is no guarantee or even expectation that an extensive network of charging stations is currently needed. Utilities should not be allowed to fund charging stations that ratepayers would seldom use through rates. Moreover, while the charging opportunities that some parties wish to see may not exist now, EV penetration in Illinois is still only at 0.25%, meaning that charging stations may eventually be built to meet demand as the number of EVs in Illinois grows.

Moreover, the Commission should not permit utilities to recover the costs of owning and operating any charging stations through rates in order to protect the competitive charging market. Private investors bear the risk that their investments in charging stations will not turn a profit and thus must carefully select charging station placement and pricing models to maximize revenues. They use different models, including (1) pay as you go, (2) monthly subscriptions, and (3) free charging where a retail outlet pays the charging costs to bring more customers to that retail location.[11] Meanwhile, utilities can be expected to include all charging station costs in rate base, where the billions of dollars of utility investment can mask or swallow inefficient charging station investment, increase the utility's revenue requirement, and, in turn, increase customer rates. Without any real risk, utilities could both install charging stations where there is no

[10] *The Ultimate Guide to Electric Vehicle Public Charging Pricing*, ENEL X (Nov. 12, 2019), https://evcharging.enelx.com/news/blog/579-the-ultimate-guide-to-electric-vehicle-public-charging-pricing#:~:text=The%20average%20time%20of%20the,saves%20you%20about%2050%25!.
[11] *Id.*

demand and place utility-owned charging stations in the places where the demand for charging is the highest, distorting the market and boxing out competitive chargers.

Finally, a utility's costs associated with owning and operating a charging station may not be recoverable in rates pursuant to the Public Utilities Act. Utilities have repeatedly attempted to grow their sales by offering ratepayers products designed to increase service usage. However, the Illinois Supreme Court has previously upheld the Commission's authority to exclude a utility's excessive spending designed to expand business operations outside of the delivery of utility service. *See Peoples Gas Light & Coke Co. v. Slattery*, 25 N.E.2d 482, 498-99 (Ill. 1939). The Public Utilities Act also provides that persons or entities that install, maintain, or repair EV charging stations must obtain certain certifications from the Commission. 220 ILCS 5/16-128A(d). The Commission adopted regulations to implement the statutory requirement and the Commission has certified neither ComEd nor Ameren under the regulations. *See* 83 Ill. Admin. Code 469.

## III. Conclusion

For the foregoing reasons, the People of the State of Illinois request that the Commission accept the above comments.

Respectfully submitted,

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